

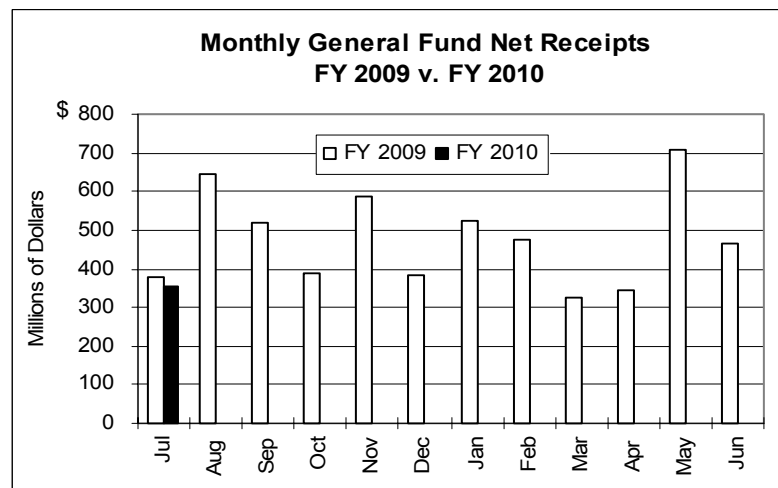
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: August 3, 2009

Monthly General Fund Receipts through July 31, 2009

The attached spreadsheet presents FY 2010 General Fund total net receipts with comparable figures for actual FY 2009. The figures can be compared to the FY 2010 estimate of \$5.700 billion set by the Revenue Estimating Conference (REC) on March 20, 2009. The FY 2010 estimate is a decrease of \$39.0 million (- 0.7%) compared to actual FY 2009 total net receipts (excludes transfers). The next REC meeting has not been scheduled.



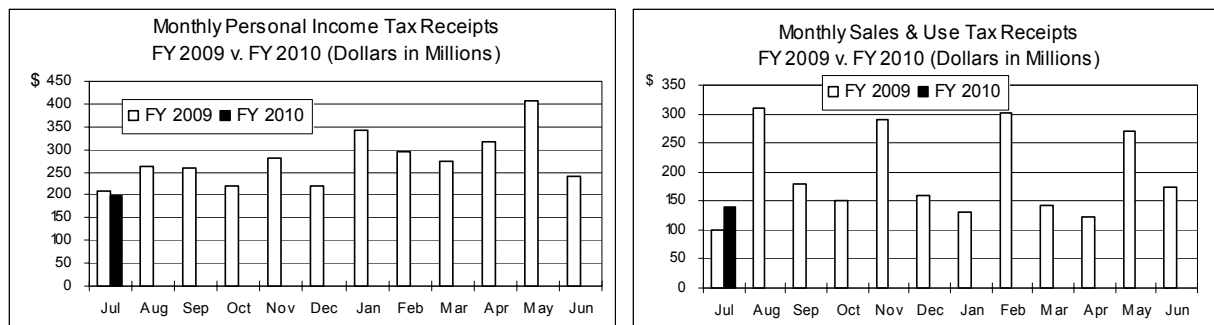
FY 2010 Compared to FY 2009

Year-to-date FY 2010 total net receipts (excluding transfers) decreased \$23.1 million (- 6.1%) compared to FY 2009. Major sources and their contribution to the FY 2010 change include:

- Personal income tax (negative \$12.8 million, - 6.1%)
- Sales/use tax (positive \$40.4 million, 40.8%)
- Corporate tax (negative \$9.6 million, - 42.1%)
- Other taxes (negative \$6.1 million, - 16.7%)
- Other receipts (negative \$7.1 million, - 17.8%)
- Tax refunds not including school infrastructure refunds (positive \$10.7 million)
- School infrastructure sales/use tax refunds (negative \$38.5 million)

Personal Income Tax revenues received in July totaled \$196.3 million, a decrease of \$12.8 million (- 6.1%) compared to July 2008.

The FY 2010 REC income tax estimate of \$3.309 billion represents a projected increase of - 0.7% compared to actual FY 2009. By subcategory, withholding payments increased by \$4.2 million (2.5%), estimate payments decreased \$12.0 million (- 35.7%), and payments with returns decreased by \$5.0 million (-61.6%), The following chart compares FY 2010 monthly income tax receipts from the three personal income tax subcategories with FY 2009.



Sales/Use Tax receipts received in July totaled \$139.4 million, an increase of \$40.4 million (40.8%) compared to July 2008. The State Sales/Use Tax rate was increased from 5.0% to 6.0% beginning July 1, 2008, with the increase replacing the School Infrastructure Local Option (SILO) sales tax. The change from a local option school infrastructure tax to a statewide school infrastructure tax boosted gross sales/use tax revenue by \$42.4 million in July. This gross revenue increase was offset by the July 2009 school infrastructure refund transfer discussed in the Tax Refund section below.

The REC estimate for FY 2010 Sales/Use Tax receipts is \$2.398 billion, an increase of 3.0% compared to actual FY 2009. The preceding chart compares FY 2010 monthly Sales/Use Tax receipts with FY 2009.

Corporate Tax receipts received in July totaled \$13.2 million, a decrease of \$9.6 million (- 42.1%) compared to July 2008.

The REC estimate for FY 2010 corporate tax revenue is \$376.2 million, a decrease of 9.7% compared to actual FY 2009.

Other tax receipts received in July totaled \$30.4 million, a decrease of \$6.1 million (- 16.7%) compared to July 2008. Inheritance Tax was the only tax in the category with an increase for the month.

The REC estimate for FY 2010 other tax revenue is \$458.9 million, an increase of 0.9% compared to actual FY 2009.

Other receipts (non-tax receipts) received in July totaled \$32.8 million, a decrease of \$7.1 million (- 17.8%) compared to July 2008. Miscellaneous Receipts, Fees, Racing and Gaming Receipts, Interest, and Judicial Revenue all had decreases for the month. The majority of the Miscellaneous Receipts decrease (\$5.0 million) was due to the timing of the Unclaimed Property Fund transfer for FY 2009. For FY 2008, the annual transfer was made in July 2008, while the transfer for FY 2009 was made in June 2009.

The REC estimate for FY 2010 other receipts revenue is \$372.6 million, a decrease of 4.9% compared to actual FY 2009.

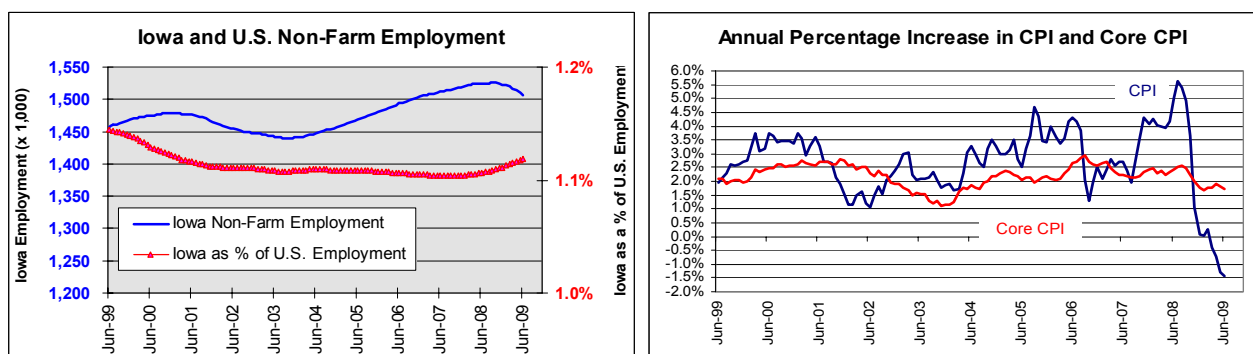
Tax Refunds issued in July totaled \$19.3 million, a decrease of \$10.7 million (- 35.7%) compared to July 2008. In addition, school infrastructure refunds totaled \$38.5 million in July.

Status of the Economy

Iowa non-farm employment was reported at 1,499,500 for the month of June (not seasonally adjusted), 44,200 lower (- 2.9%) than June 2008.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-2001 recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The 12-month average peaked again in October 2008 at 1,525,400, 46,700 above the 2001 peak and 85,500 above the recession low. The current 12-month average reading is now 1,506,800, so annual average Iowa non-farm employment is 18,600 below the October 2008 peak.

The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. non-farm employment has been expanding since June 2008 as the rate of economic decline nationally has exceeded the rate of decline in Iowa.



Consumer prices increased 0.9% in June (not seasonally adjusted). The Consumer Price Index (CPI-U) through June 2009 was 215.7 (1983/84=100). The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. The annual rate now stands at negative 1.4%, the fourth consecutive negative annual rate and the lowest rate since January 1950.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in June and stands at 1.7%, year-over-year. The core inflation rate declined considerably from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession, the annual core inflation rate has declined and has now been below 2.0% for seven consecutive months. For the two components excluded from the core rate, energy prices are down 25.5% year-over-year while food prices are up 2.2%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2009 vs. FY 2010 July 1 through July 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers						ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 09 Actual Compared to FY 10 REC Estimate		
	FY 2009	FY 2010	Year to Date % Change	July % Change		Actual FY 2009	Estimate FY 2010	Projected % Change
Personal Income Tax	\$ 209.1	\$ 196.3	-6.1%	-6.1%	\$	3,330.7	\$ 3,309.0	-0.7%
Sales/Use Tax	99.0	139.4	40.8%	40.8%		2,327.4	2,397.5	3.0%
Corporate Income Tax	22.8	13.2	-42.1%	-42.1%		416.5	376.2	-9.7%
Inheritance Tax	6.2	6.3	1.6%	1.6%		75.4	78.4	4.0%
Insurance Premium Tax	1.9	0.9	-52.6%	-52.6%		90.0	108.6	20.7%
Cigarette Tax	21.4	19.0	-11.2%	-11.2%		215.8	201.9	-6.4%
Tobacco Tax	3.2	2.6	-18.8%	-18.8%		23.0	23.0	0.0%
Beer Tax	1.4	1.4	0.0%	0.0%		14.7	14.8	0.7%
Franchise Tax	2.0	1.6	-20.0%	-20.0%		33.7	31.2	-7.4%
Miscellaneous Tax	0.4	-1.4	-450.0%	-450.0%		2.4	1.0	-58.3%
Total Special Taxes	\$ 367.4	\$ 379.2	3.2%	3.2%	\$	6,529.6	\$ 6,541.6	0.2%
Institutional Payments	1.1	1.4	27.3%	27.3%		15.5	13.7	-11.6%
Liquor Profits	5.0	6.7	34.0%	34.0%		85.5	74.6	-12.7%
Interest	0.5	0.0	-100.0%	-100.0%		14.6	14.1	-3.4%
Fees	5.0	3.0	-40.0%	-40.0%		77.7	75.1	-3.3%
Judicial Revenue	8.6	8.5	-1.2%	-1.2%		98.8	97.3	-1.5%
Miscellaneous Receipts	7.7	2.3	-70.1%	-70.1%		39.8	37.8	-5.0%
Racing and Gaming Receipts	12.0	10.9	-9.2%	-9.2%		60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 407.4	\$ 412.1	1.2%	1.2%	\$	6,921.5	\$ 6,914.2	-0.1%
Accrued Revenue-Net*						-0.1	8.6	
Tax Refunds **	-30.0	-19.3	-35.7%	-35.7%		-832.3	-821.0	-1.4%
School Infrast. Refunds **	0.0	-38.5				-350.3	-401.9	
TOTAL NET RECEIPTS	\$ 377.3	\$ 354.3	-6.1%	-6.1%	\$	5,738.9	\$ 5,699.9	-0.7%
<p>* FY 2009 "Accrued Revenue - Net" is currently estimated.</p> <p>** For FY 2009 and FY 2010 Year-to-Date, refunds are listed on a cash basis. For FY 2009 Actual and FY 2010 Estimate, refunds are listed on a fiscal year basis.</p>								